Ameris Bancorp
Form 10-Q
May 10, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number: 001-13901

AMERIS BANCORP
(Exact name of registrant as specified in its charter)

GEORGIA	58-1456434
(State of incorporation)	(IRS Employer ID No.)

310 FIRST STREET, S.E., MOULTRIE, GA 31768
(Address of principal executive offices)

(229) 890-1111
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý

There were 38,327,081 shares of Common Stock outstanding as of May 1, 2018.

AMERIS BANCORP
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Item 1. Financial Statements.

AMERIS BANCORP AND SUBSIDIARIES
Consolidated Balance Sheets (unaudited)
(dollars in thousands, except per share data)

	March 31, 2018	December 31, 2017
Assets		
Cash and due from banks	$123,945	$139,313
Federal funds sold and interest-bearing deposits in banks	210,930	191,345
Cash and cash equivalents	334,875	330,658
Investment securities available for sale, at fair value	848,585	810,873
Other investments	32,227	42,270
Loans held for sale, at fair value	111,135	197,442
Loans	5,051,986	4,856,514
Purchased loans	818,587	861,595
Purchased loan pools	319,598	328,246
Loans, net of unearned income	6,190,171	6,046,355
Allowance for loan losses	(26,200)	(25,791)
Loans, net	6,163,971	6,020,564
Other real estate owned, net	9,171	8,464
Purchased other real estate owned, net	6,723	9,011
Total other real estate owned, net	15,894	17,475
Premises and equipment, net	116,381	117,738
Goodwill	208,513	125,532
Other intangible assets, net	12,562	13,496
Cash value of bank owned life insurance	80,007	79,641
Deferred income taxes, net	28,677	28,320
Other assets	70,001	72,194
Total assets	$8,022,828	$7,856,203
Liabilities		
Deposits:		
Noninterest-bearing	$1,867,900	$1,777,141
Interest-bearing	4,578,265	4,848,704
Total deposits	6,446,165	6,625,845
Securities sold under agreements to repurchase	23,270	30,638
Other borrowings	555,535	250,554
Subordinated deferrable interest debentures	85,881	85,550
Other liabilities	43,033	59,137
Total liabilities	7,153,884	7,051,724
Commitments and Contingencies (Note 9)		

Shareholders’ Equity		
Preferred stock, stated value $1,000 (5,000,000 shares authorized; 0 shares issued and outstanding at March 31, 2018 and December 31, 2017)	—	—
Common stock, par value $1 (100,000,000 shares authorized; 39,819,918 and 38,734,873 shares issued at March 31, 2018 and December 31, 2017, respectively)	39,820	38,735
Capital surplus	559,040	508,404
Retained earnings	296,366	273,119
Accumulated other comprehensive income (loss), net of tax	(10,823)	(1,280)
Treasury stock, at cost (1,492,837 shares and 1,474,861 shares at March 31, 2018 and December 31, 2017, respectively)	(15,459)	(14,499)
Total shareholders’ equity	868,944	804,479
Total liabilities and shareholders’ equity	$8,022,828	$7,856,203

See notes to unaudited consolidated financial statements.

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AMERIS BANCORP AND SUBSIDIARIES
Consolidated Statements of Income and Comprehensive Income (unaudited)
(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Interest income		
Interest and fees on loans	$73,267	$61,521
Interest on taxable securities	5,207	4,800
Interest on nontaxable securities	322	416
Interest on deposits in other banks and federal funds sold	716	313
Total interest income	79,512	67,050
Interest expense		
Interest on deposits	6,772	3,763
Interest on other borrowings	3,939	2,697
Total interest expense	10,711	6,460
Net interest income	68,801	60,590
Provision for loan losses	1,801	1,836
Net interest income after provision for loan losses	67,000	58,754
Noninterest income		
Service charges on deposit accounts	10,228	10,563
Mortgage banking activity	11,900	11,215
Other service charges, commissions and fees	719	709
Gain on sale of securities	37	—
Other noninterest income	3,580	3,219
Total noninterest income	26,464	25,706
Noninterest expense		
Salaries and employee benefits	32,089	27,794
Occupancy and equipment expense	6,198	5,877
Data processing and communications costs	7,135	6,572
Credit resolution-related expenses	549	933
Advertising and marketing expense	1,229	1,106
Amortization of intangible assets	934	1,036
Merger and conversion charges	835	402
Other noninterest expenses	10,129	9,373
Total noninterest expense	59,098	53,093
Income before income tax expense	34,366	31,367
Income tax expense	7,706	10,214
Net income	26,660	21,153
Other comprehensive income		
Net unrealized holding losses arising during period on investment securities available for sale, net of tax benefit of $2,500 and $105	(9,403)	(194)

Reclassification adjustment for gains on investment securities included in earnings, net of tax of ($8) and $0	(29)	—
Unrealized gains on cash flow hedges arising during period, net of tax expense of $75 and $23	281	43
Other comprehensive income (loss)	(9,151)	(151)
Total comprehensive income	$17,509	$21,002
Basic earnings per common share	$0.70	$0.59
Diluted earnings per common share	$0.70	$0.59
Dividends declared per common share	$0.10	$0.10
Weighted average common shares outstanding (in thousands)		
Basic	37,967	35,664
Diluted	38,250	36,040

See notes to unaudited consolidated financial statements.

AMERIS BANCORP AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity (unaudited)
(dollars in thousands)

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
	Shares	Amount	Shares	Amount
Common Stock				
Balance at beginning of period	38,734,873	$38,735	36,377,807	$36,378
Issuance of common stock	944,586	944	2,141,072	2,141
Issuance of restricted shares	77,755	78	67,721	68
Proceeds from exercise of stock options	62,704	63	16,349	16
Issued at end of period	39,819,918	$39,820	38,602,949	$38,603
Capital Surplus				
Balance at beginning of period		$508,404		$410,276
Share-based compensation		897		673
Issuance of common shares, net of issuance costs of $0 and $4,925		49,067		92,359
Issuance of restricted shares		(78)		(68)
Proceeds from exercise of stock options		750		303
Balance at end of period		$559,040		$503,543
Retained Earnings				
Balance at beginning of period		$273,119		$214,454
Cumulative effect of change in accounting for derivatives		28		—
Reclassification of stranded income tax effects from accumulated other comprehensive income		392		—
Adjusted balance at beginning of period		273,539		214,454
Net income		26,660		21,153
Dividends on common shares		(3,833)		(3,713)
Balance at end of period		$296,366		$231,894
Accumulated Other Comprehensive Income (Loss), Net of Tax				
Unrealized gains (losses) on securities and derivatives:				
Balance at beginning of period		$(1,280)		$(1,058)
Reclassification of stranded income tax effects to retained earnings		(392)		—
Adjusted balance at beginning of period		(1,672)		(1,058)
Other comprehensive income during the period		(9,151)		(151)
Balance at end of period		$(10,823)		$(1,209)
Treasury Stock				
Balance at beginning of period	1,474,861	$(14,499)	1,456,333	$(13,613)
Purchase of treasury shares	17,976	(960)	17,902	(1,002)
Balance at end of period	1,492,837	$(15,459)	1,474,235	$(14,615)
Total Shareholders' Equity		$868,944		$758,216

See notes to unaudited consolidated financial statements.

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AMERIS BANCORP AND SUBSIDIARIES
Consolidated Statements of Cash Flows (unaudited)
(dollars in thousands)

	Three Months Ended March 31,	
	2018	2017
Operating Activities		
Net income	$26,660	$ 21,153
Adjustments reconciling net income to net cash provided by operating activities:		
Depreciation	2,274	2,341
Net losses on sale or disposal of premises and equipment including write-downs	583	295
Provision for loan losses	1,801	1,836
Net losses (gains) on sale of other real estate owned including write-downs	33	(127)
Share-based compensation expense	1,441	673
Amortization of intangible assets	934	1,036
Provision for deferred taxes	2,432	(580)
Net amortization of investment securities available for sale	1,595	1,697
Net gains on securities available for sale	(37)	—
Accretion of discount on purchased loans	(1,571)	(3,097)
Amortization of premium on purchased loan pools	511	1,148
Net accretion (amortization) on other borrowings	33	(57)
Amortization of subordinated deferrable interest debentures	331	331
Originations of mortgage loans held for sale	(358,038)	(311,813)
Payments received on mortgage loans held for sale	367	430
Proceeds from sales of mortgage loans held for sale	377,748	294,045
Net gains on sale of mortgage loans held for sale	(6,759)	(9,200)
Originations of SBA loans	(7,168)	(19,003)
Proceeds from sales of SBA loans	10,497	4,600
Net gains on sale of SBA loans	(918)	(1,407)
Increase in cash surrender value of bank owned life insurance	(366)	(389)
Changes in FDIC loss-share payable, net of cash payments received	785	735
Change attributable to other operating activities	(4,671)	28,606
Net cash provided by operating activities	48,497	13,253
Investing Activities		
Purchases of securities available for sale	(121,865)	(40,145)
Proceeds from prepayments and maturities of securities available for sale	33,970	30,119
Proceeds from sales of securities available for sale	36,685	—
Net increase in other investments	(13,809)	(642)
Net increase in loans, excluding purchased loans	(134,063)	(117,681)
Payments received on purchased loans	43,971	63,061
Payments received on purchased loan pools	16,158	38,067
Purchases of premises and equipment	(1,133)	(1,219)
Proceeds from sales of premises and equipment	427	—
Proceeds from sales of other real estate owned	3,106	4,568
Payments paid to FDIC under loss-share agreements	(333)	(559)
Net cash proceeds paid in acquisitions	(21,421)	—
Net cash used in investing activities	(158,307)	(24,431)

(Continued)

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AMERIS BANCORP AND SUBSIDIARIES
Consolidated Statements of Cash Flows (unaudited)
(dollars in thousands)

	Three Months Ended March 31,	
	2018	2017
Financing Activities, net of effects of business combinations		
Net increase (decrease) in deposits	$(179,680)	$ 67,206
Net decrease in securities sold under agreements to repurchase	(7,368)	(13,090)
Proceeds from other borrowings	455,000	518,755
Repayment of other borrowings	(150,052)	(485,350)
Issuance of common stock	—	88,656
Proceeds from exercise of stock options	813	319
Dividends paid - common stock	(3,726)	(3,492)
Purchase of treasury shares	(960)	(1,002)
Net cash provided by financing activities	114,027	172,002
Net increase in cash and cash equivalents	4,217	160,824
Cash and cash equivalents at beginning of period	330,658	198,385
Cash and cash equivalents at end of period	$334,875	$ 359,209
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for:		
Interest	$11,602	$ 6,348
Income taxes	2	18
Loans (excluding purchased loans) transferred to other real estate owned	1,176	1,657
Purchased loans transferred to other real estate owned	457	1,489
Loans transferred from loans held for sale to loans held for investment	73,374	45,828
Loans transferred from loans held for investment to loans held for sale	2,796	—
Loans provided for the sales of other real estate owned	—	264
Assets acquired in business acquisitions	82,981	—
Liabilities assumed in business acquisitions	5,705	—
Issuance of common stock in acquisitions	50,011	—
Issuance of common stock in exchange for equity investment in US Premium Finance Holding Company	—	5,844
Change in unrealized gain (loss) on securities available for sale, net of tax	(9,432)	(194)
Change in unrealized gain (loss) on cash flow hedge, net of tax	281	43

(Concluded)

See notes to unaudited consolidated financial statements.

AMERIS BANCORP AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
March 31, 2018

NOTE 1 – BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Nature of Business

Ameris Bancorp (the “Company” or “Ameris”) is a financial holding company headquartered in Moultrie, Georgia. Ameris conducts substantially all of its operations through its wholly owned banking subsidiary, Ameris Bank (the “Bank”). At March 31, 2018, the Bank operated 97 branches in select markets in Georgia, Alabama, Florida and South Carolina. Our business model capitalizes on the efficiencies of a large financial services company while still providing the community with the personalized banking service expected by our customers. We manage our Bank through a balance of decentralized management responsibilities and efficient centralized operating systems, products and loan underwriting standards. The Company’s Board of Directors and senior managers establish corporate policy, strategy and administrative policies. Within our established guidelines and policies, the banker closest to the customer responds to the differing needs and demands of his or her unique market.

Basis of Presentation

The accompanying unaudited consolidated financial statements for Ameris have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation. The interim consolidated financial statements included herein are unaudited but reflect all adjustments (consisting of normal recurring accruals) which, in the opinion of management, are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the period ended March 31, 2018 are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the financial statements and notes thereto and the report of our registered independent public accounting firm included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash items in process of collection, amounts due from banks, interest-bearing deposits in banks and federal funds sold. The Bank is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank of Atlanta. The reserve requirement as of March 31, 2018 and December 31, 2017 was $46.0 million and $44.1 million, respectively, and was met by cash on hand which is reported on the Company's consolidated balance sheet in cash and due from banks.

Reclassifications

Certain reclassifications of prior year amounts have been made to conform with the current year presentations.

Accounting Standards Adopted in 2018

ASU 2018-02 - Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"). Issued in February 2018, ASU 2018-02 seeks to help entities reclassify certain stranded income tax effects in accumulated other comprehensive income resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act"), enacted on December 22, 2017. ASU 2018-02 was issued in response to concerns regarding current accounting guidance that requires deferred tax assets and deferred tax liabilities to be adjusted for the effect of a change in tax laws or rates with the effect included in income from continuing operations in the reporting period that includes the enactment date, even in situations in which the related income tax effects of items in accumulated other comprehensive income were originally recognized in other comprehensive income, rather than net income, and as a result the stranded tax effects would not reflect the appropriate tax rate. The amendments of ASU 2018-02 allow an entity to make a reclassification from accumulated other comprehensive income to retained earnings for the stranded tax effects, which is the difference between the historical corporate income tax rate of 35.0% and the newly enacted corporate income tax rate of 21.0%. ASU 2018-02 is effective for fiscal years, and interim periods within those years, beginning after December 31, 2018; however, public business entities are allowed to early adopt the amendments of ASU 2018-02 in any interim period for which the financial statements have not yet been issued. The amendments of ASU 2018-02 may be applied either at the beginning of the period (annual or interim) of adoption or retrospectively to each of the period(s) in which the effect of the change in the U.S. federal corporate tax rate in the Tax Reform Act is recognized. As a result of the remeasurement of the Company's deferred tax assets and deferred tax liabilities following the enactment of the Tax Reform Act, accumulated other comprehensive loss included $392,000 of stranded tax effects at December 31, 2017. The Company early adopted ASU 2018-02 during the first quarter of 2018 and made an election to reclassify the stranded tax effects from accumulated other comprehensive loss to retaining earnings at the beginning of the period of adoption. The reclassification of the stranded tax effects resulted in an increase of $392,000 in accumulated other comprehensive loss and a corresponding increase of $392,000 in retained earnings.

ASU 2017-12 – Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12"). The purposes of ASU 2017-12 are to (1) improve the transparency and understandability of information conveyed in financial statements about an entity's risk management activities by better aligning the entity's financial reporting for hedging relationships with the economic objectives of those risk management activities and (2) reduce the complexity of and simplify the application of hedge accounting by preparers. ASU 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018 with early adoption in an interim period permitted. ASU 2017-12 requires a modified retrospective transition method in which the Company will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the statement of financial position as of the beginning of the fiscal year of adoption. During the first quarter of 2018, the Company early adopted the provisions of ASU 2017-12, and the adoption did not have a material impact on the Company's consolidated financial statements.

ASU 2017-09 – Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"). ASU 2017-09 clarifies when changes to the terms of a share-based award must be accounted for as a modification. Companies must apply the modification accounting guidance if any of the following change: the share-based award's fair value, vesting provisions or classification as an equity instrument or a liability instrument. The new guidance should reduce diversity in practice and result in fewer changes to the terms of share-based awards being accounted for as modifications, as the guidance will allow companies to make certain non-substantive changes to share-based awards without accounting for them as modifications. ASU 2017-09 is effective for interim and annual reporting periods beginning after December 15, 2017 with early adoption permitted. During the first quarter of 2018, the Company adopted the provisions of ASU 2017-09, and the adoption did not have a material impact on the Company's consolidated financial statements.

ASU 2017-01 – Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"). ASU 2017-01 provides a framework to use in determining when a set of assets and activities is a business. The standard provides more consistency in applying the business combination guidance, reduces the costs of application, and makes the definition of a business more operable. ASU 2017-01 is effective for interim and annual periods within those annual periods beginning after December 15, 2017. During the first quarter of 2018, the Company adopted the provisions of ASU 2017-01, and the adoption did not have a material impact on the Company's consolidated financial statements.

ASU 2016-01 – Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). ASU 2016-01 (1) requires equity investments that do not result in consolidation and are not accounted for under the equity method to be measured at fair value with changes recognized through net income; (2) simplifies the impairment assessment of equity investments without readily determinable fair values by allowing a qualitative assessment similar to those performed on long-lived assets, goodwill or intangibles to be utilized at each reporting period; (3) eliminates the use of the entry price method requiring all preparers to utilize the exit price notion consistent with Topic 820, Fair Value Measurement in disclosing the fair value of financial instruments measured at amortized cost; (4) requires separate disclosure within other comprehensive income of changes in the fair value of liabilities due to instrument-specific credit risk when the fair value option has been elected; and (5) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the

balance sheet or in the accompanying notes to the financial statements. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and interim periods. During the first quarter of 2018, the Company adopted ASU 2016-01. Other than changing from the entry price method to an exit price notion in disclosing fair value of financial instruments at amortized cost, the adoption did not have a material impact on the Company's consolidated financial statements.
ASU 2014-09 – Revenue from Contracts with Customers (“ASU 2014-09”). On January 1, 2018, the Company adopted ASU 2014-09 and all subsequent amendments to the ASU (collectively "ASC 606") which (1) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (2) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as other real estate owned ("OREO"). The majority of the Company's revenues come from interest income and other sources, including loans, leases, investment securities and derivative financial instruments, that are outside the scope of ASC 606. With the exception of gains/losses on the sale of OREO, the Company's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Company satisfies its obligations to the customer. Services within the scope of ASC 606 reported in noninterest income include service charges on deposit accounts, debit card interchange fees, and ATM fees. The net of gains and losses on the sale of OREO are recorded in credit resolution

related expenses in the Company's consolidated statement of income and comprehensive income. The adoption of ASC 606 did not change the timing or amount of revenue recognized for in-scope revenue streams. Accordingly, no cumulative effect adjustment was recorded under the modified retrospective transition method. See Note 15 for further discussion on the Company's accounting policies for revenue sources with the scope of ASC 606.

Accounting Standards Pending Adoption

ASU 2017-04 – Intangibles: Goodwill and Other: Simplifying the Test for Goodwill Impairment (“ASU 2017-04”). ASU 2017-04 eliminates Step 2 from the goodwill impairment test to simplify the subsequent measurement of goodwill. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, the income tax effects of tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. ASU 2017-04 also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the qualitative impairment test is necessary. The standard must be adopted using a prospective basis and the nature and reason for the change in accounting principle should be disclosed upon transition. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in reporting periods beginning after December 15, 2019. Early adoption is permitted on testing dates after January 1, 2017. The Company is currently evaluating the impact this standard will have on the Company’s results of operations, financial position and disclosures, but it is not expected to have a material impact.

ASU 2016-13 – Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”). ASU 2016-13 significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace the current incurred loss approach with an expected loss model, referred to as the current expected credit loss (“CECL”) model. The new standard will apply to financial assets subject to credit losses and measured at amortized cost and certain off-balance-sheet credit exposures, which include, but are not limited to, loans, leases, held-to-maturity securities, loan commitments and financial guarantees. ASU 2016-13 simplifies the accounting for purchased credit-impaired debt securities and loans and expands the disclosure requirements regarding an entity’s assumptions, models and methods for estimating the allowance for loan and lease losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for interim and annual reporting periods beginning after December 15, 2018. Upon adoption, ASU 2016-13 provides for a modified retrospective transition by means of a cumulative effect adjustment to equity as of the beginning of the period in which the guidance is effective. While the Company is currently evaluating the impact this standard will have on the results of operations, financial position and disclosures, the Company expects to recognize a one-time cumulative effect adjustment to equity and the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective. The Company has established a steering committee which includes the appropriate members of management to evaluate the impact this ASU will have on Company’s financial position, results of operations and financial statement disclosures and determine the most appropriate method of implementing the amendments in this ASU as well as any resources needed to implement the amendments. This committee has identified the software vendor of choice for implementation, established an implementation timeline and continues to stay current on implementation issues and concerns.

ASU 2016-02 – Leases (Topic 842) (“ASU 2016-02”). ASU 2016-02 amends the existing standards for lease accounting effectively requiring most leases be carried on the balance sheets of the related lessees by requiring them to recognize a right-of-use asset and a corresponding lease liability. ASU 2016-02 includes qualitative and quantitative disclosure requirements intended to provide greater insight into the nature of an entity's leasing activities. The standard must be adopted using a modified retrospective transition with a cumulative effect adjustment to equity as of the beginning of the period in which it is adopted. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods with early adoption permitted. The Company has several leased facilities, which are currently treated as operating leases, and are not currently shown on the Company's consolidated balance sheet. After ASU 2016-02 is implemented, the Company expects to begin reporting these lease agreements on the balance sheet as a right-of-use asset and a corresponding liability. The Company is currently evaluating the impact this standard will have on the Company's consolidated statement of income and comprehensive income, consolidated statement of stockholders' equity and consolidated statement of cash flows, but it is not expected to have a material impact.

NOTE 2. PENDING ACQUISITIONS

Hamilton State Bancshares, Inc.

On January 25, 2018, the Company and Hamilton State Bancshares, Inc., a Georgia corporation (“Hamilton”), entered into an Agreement and Plan of Merger (the "Hamilton Merger Agreement") pursuant to which Hamilton will merge into Ameris, with Ameris as the surviving entity and immediately thereafter, Hamilton State Bank, a Georgia bank wholly owned by Hamilton, will be merged into Ameris Bank, with Ameris Bank as the surviving entity. Hamilton State Bank operates 28 full-service banking locations, 24 of which are located in the Atlanta, Georgia MSA, two of which are located in the Gainesville, Georgia MSA, and two of which are located just outside the Atlanta, Georgia MSA. Under the terms of the Hamilton Merger Agreement, Hamilton's shareholders will receive $0.93 in cash and 0.16 shares of Ameris common stock for each share of Hamilton common stock they hold. The estimated purchase price is $405.7 million in the aggregate based upon the $53.45 per share closing price of the Company’s common stock as of January 25, 2018. The merger is subject to customary closing conditions, including the receipt of regulatory approvals and the approval of Hamilton's shareholders. The transaction is expected to close during the third quarter of 2018. As of December 31, 2017, Hamilton reported assets of $1.79 billion, gross loans of $1.30 billion and deposits of $1.55 billion. The purchase price will be allocated among the net assets of Hamilton acquired as appropriate, with the remaining balance being reported as goodwill.

Atlantic Coast Financial Corporation

On November 16, 2017, the Company and Atlantic Coast Financial Corporation, a Maryland corporation (“Atlantic”), entered into an Agreement and Plan of Merger (the "Atlantic Merger Agreement") pursuant to which Atlantic will merge into Ameris, with Ameris as the surviving entity and immediately thereafter, Atlantic Coast Bank, a Florida bank wholly owned by Atlantic, will be merged into Ameris Bank, with Ameris Bank as the surviving entity. Atlantic Coast Bank operates 12 full-service banking locations, eight of which are located in the Jacksonville, Florida MSA, three of which are located in the Waycross, Georgia MSA, and one of which is located in the Douglas, Georgia MSA. Under the terms of the Atlantic Merger Agreement, Atlantic's stockholders will receive $1.39 in cash and 0.17 shares of Ameris common stock for each share of Atlantic common stock they hold. The estimated purchase price is $145.0 million in the aggregate based upon the $47.30 per share closing price of the Company’s common stock as of November 16, 2017. All regulatory and stockholder approvals required for the merger have been received, and the transaction is expected to close in May 2018. As of December 31, 2017, Atlantic reported assets of $983.3 million, gross loans of $851.4 million and deposits of $675.8 million. The purchase price will be allocated among the net assets of Atlantic acquired as appropriate, with the remaining balance being reported as goodwill.

NOTE 3 – BUSINESS COMBINATION

US Premium Finance Holding Company

On January 31, 2018, the Company closed on the purchase of the final 70% of the outstanding shares of common stock of US Premium Finance Holding Company, a Florida corporation ("USPF"), completing its acquisition of USPF and making USPF a wholly owned subsidiary of the Company. Through a series of three acquisition transactions that closed on January 18, 2017, January 3, 2018 and January 31, 2018, the Company issued a total of 1,073,158 shares of its common stock at a fair value of $55.9 million and paid $21.4 million in cash to the former shareholders of USPF. Pursuant to the terms of the Stock Purchase Agreement dated January 25, 2018 under which Company purchased the final 70% of the outstanding shares of common stock of USPF, the selling shareholders of USPF may receive additional cash payments aggregating up to $5.8 million based on the achievement by the Company's premium finance division of certain income targets between January 1, 2018 and June 30, 2019. The present value of the contingent earn-out consideration expected to be paid is $5.7 million. Including the fair value of the Company's common stock issued, cash paid and the present value of the contingent earn-out consideration expected to be paid, the aggregate purchase price of USPF amounted to $83.0 million.

The acquisition of USPF will be accounted for using the acquisition method of accounting in accordance with ASC 805, Business Combinations. Under the acquisition method of accounting, assets acquired, liabilities assumed and consideration exchanged are recorded at their respective acquisition date fair values. Any identifiable intangible assets that are acquired in a business combination are recognized at fair value on the acquisition date. Identifiable intangible assets are recognized separately if they arise from contractual or other legal rights or if they are separable (i.e., capable of being sold, transferred, licensed, rented or exchanged separately from the entity). If the consideration given exceeds the fair value of the net assets received, goodwill is recognized. Determining the fair value of assets and liabilities is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. Fair values are subject to refinement for up to one year after the closing date of the acquisition as additional information regarding the closing date fair values becomes available. In addition, management will assess and record the deferred tax assets and deferred tax liabilities resulting from differences in the carrying value of acquired assets and assumed liabilities for financial reporting purposes and their basis for income tax purposes.

Prior to the January 31, 2018 completion of the acquisition, the Company's 30% investment in USPF was carried at its $23.9 million original cost basis. Once the acquisition was completed, the $83.0 million aggregate purchase price equaled the fair value of USPF which was determined utilizing the incremental projected earnings. Accordingly, no gain or loss was recorded by the Company in the consolidated statement of income and comprehensive income as a result of remeasuring to fair value the prior minority equity investment in USPF held by the Company immediately before the business combination was completed.

Prior to January 31, 2018, USPF was a private entity and the information necessary to complete the initial accounting for the business combination is incomplete at this time. Management has not yet finalized its determination of the fair value of the assets acquired and liabilities assumed in the USPF acquisition. Accordingly, as of March 31, 2018, the entire $83.0 million purchase price is reflected as goodwill in the Company's consolidated balance sheet, pending finalization of the fair value of the assets acquired and liabilities assumed. The assets acquired are expected to include identifiable intangible assets related to insurance agent relationships that refer insurance premium finance loans to USPF, customer relationships that result in repeat premium finance loans for insurance policy renewals, the US Premium Finance trade name and a non-compete agreement with a former USPF shareholder. The goodwill is not expected to be deductible for tax purposes.

The results of operations of USPF subsequent to its acquisition date are included in the Company’s consolidated statements of income and comprehensive income. The following unaudited pro forma information reflects the Company’s estimated consolidated results of operations as if the acquisitions had occurred on January 1, 2017, unadjusted for potential cost savings.

	Three Months Ended March 31,	
(dollars in thousands, except per share data; shares in thousands)	2018	2017
Net interest income and noninterest income	$95,265	$86,296
Net income	$26,876	$22,174
Net income available to common shareholders	$26,876	$22,174
Income per common share available to common shareholders – basic	$0.70	$0.61
Income per common share available to common shareholders – diluted	$0.70	$0.60
Average number of shares outstanding, basic	38,246	36,633
Average number of shares outstanding, diluted	38,529	37,009

NOTE 4 – INVESTMENT SECURITIES

The Company’s investment policy blends the Company’s liquidity needs and interest rate risk management with its desire to increase income and provide funds for expected growth in loans. The investment securities portfolio consists primarily of U.S. government-sponsored mortgage-backed securities and state, county and municipal securities. The Company’s portfolio and investing philosophy concentrate activities in obligations where the credit risk is limited. For the small portion of the Company’s portfolio found to present credit risk, the Company has reviewed the investments and financial performance of the obligors and believes the credit risk to be acceptable.

The amortized cost and estimated fair value of investment securities available for sale, along with unrealized gains and losses, are summarized as follows:

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2018				
State, county and municipal securities	105,821	987	(534)	106,274
Corporate debt securities	57,134	598	(635)	57,097
Mortgage-backed securities	699,990	456	(15,232)	685,214
Total debt securities	$ 862,945	$ 2,041	$ (16,401)	$ 848,585
December 31, 2017				
State, county and municipal securities	135,968	1,989	(163)	137,794
Corporate debt securities	46,659	721	(237)	47,143
Mortgage-backed securities	630,666	1,762	(6,492)	625,936
Total debt securities	$ 813,293	$ 4,472	$ (6,892)	$ 810,873

The amortized cost and estimated fair value of available for sale securities at March 31, 2018 by contractual maturity are summarized in the table below. Expected maturities for mortgage-backed securities may differ from contractual maturities because in certain cases borrowers can prepay obligations without prepayment penalties. Therefore, these securities are not included in the following maturity summary.

(dollars in thousands)	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 11,606	$ 11,643
Due from one year to five years	46,869	46,432
Due from five to ten years	64,190	64,842
Due after ten years	40,290	40,454
Mortgage-backed securities	699,990	685,214
	$ 862,945	$ 848,585

Securities with a carrying value of approximately $368.3 million serve as collateral to secure public deposits, securities sold under agreements to repurchase and for other purposes required or permitted by law at March 31, 2018, compared with $403.3 million at December 31, 2017.

The following table details the gross unrealized losses and estimated fair value of securities aggregated by category and duration of continuous unrealized loss position at March 31, 2018 and December 31, 2017.

	Less Than 12 Months		12 Months or More		Total	
(dollars in thousands)	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
March 31, 2018						
State, county and municipal securities	54,182	(448)	4,662	(86)	58,844	(534)
Corporate debt securities	492	(126)	18,501	(509)	18,993	(635)
Mortgage-backed securities	422,035	(8,322)	172,548	(6,910)	594,583	(15,232)
Total debt securities	$476,709	$ (8,896)	$ 195,711	$ (7,505)	$ 672,420	$ (16,401)
December 31, 2017						
State, county and municipal securities	33,976	(115)	4,725	(48)	38,701	(163)

Corporate debt securities	3,465	(35)	18,853	(202)	22,318	(237)
Mortgage-backed securities	262,353	(2,401)	190,368	(4,091)	452,721	(6,492)
Total debt securities	$299,794	$ (2,551)	$213,946	$ (4,341)	$513,740	$ (6,892)

As of March 31, 2018, the Company’s securities portfolio consisted of 390 securities, 277 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company’s mortgage-backed securities, as discussed below.

At March 31, 2018, the Company held 226 mortgage-backed securities that were in an unrealized loss position, all of which were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at March 31, 2018.

At March 31, 2018, the Company held 41 state, county and municipal securities and 10 corporate debt securities that were in an unrealized loss position. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at March 31, 2018.

The Company's investments in corporate debt include investments in regional and super-regional banks on which the Company prepares regular analysis through review of financial information and credit ratings. Investments in preferred securities are also concentrated in the preferred obligations of regional and super-regional banks through non-pooled investment structures. The Company did not have investments in "pooled" trust preferred securities at March 31, 2018 or December 31, 2017.

Management and the Company's Asset and Liability Committee (the "ALCO Committee") evaluate securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. While the majority of the unrealized losses on debt securities relate to changes in interest rates, corporate debt securities have also been affected by reduced levels of liquidity and higher risk premiums. Occasionally, management engages independent third parties to evaluate the Company's position in certain corporate debt securities to aid management and the ALCO Committee in its determination regarding the status of impairment. The Company believes that each investment poses minimal credit risk and further, that the Company does not intend to sell these investment securities at an unrealized loss position at March 31, 2018, and it is more likely than not that the Company will not be required to sell these securities prior to recovery or maturity. Therefore, at March 31, 2018, these investments are not considered impaired on an other-than-temporary basis.

At March 31, 2018 and December 31, 2017, all of the Company's mortgage-backed securities were obligations of government-sponsored agencies.

The following table is a summary of sales activities in the Company's investment securities available for sale for the three months ended March 31, 2018 and 2017:

(dollars in thousands)	March 31, 2018	March 31, 2017
Gross gains on sales of securities	$ 332	$ —
Gross losses on sales of securities	(295)	—
Net realized gains on sales of securities available for sale	$ 37	$ —
Sales proceeds	$ 36,685	$ —

NOTE 5 – LOANS

The Bank engages in a full complement of lending activities, including real estate-related loans, agriculture-related loans, commercial and financial loans and consumer installment loans within select markets in Georgia, Alabama, Florida and South Carolina. The Bank purchased residential mortgage loan pools during 2015 and 2016 collateralized by properties located outside our Southeast markets, specifically in California, Washington and Illinois. During the third quarter of 2016, the Bank began purchasing from unrelated third parties consumer installment home improvement loans made to borrowers throughout the United States. As of March 31, 2018 and December 31, 2017, the net carrying value of these consumer installment home improvement loans was approximately $280.3 million and $273.7 million, respectively, and such loans are reported in the consumer installment loan category. During the fourth quarter of 2016, the Bank purchased a pool of commercial insurance premium finance loans made to borrowers throughout the United States and began to originate, administer and service these types of loans. As of March 31, 2018 and December 31, 2017, the net carrying value of commercial insurance premium loans was approximately $501.9 million and $482.5 million, respectively, and such loans are reported in the commercial, financial and agricultural loan category.

The Bank concentrates the majority of its lending activities in real estate loans. While risk of loss in the Company's portfolio is primarily tied to the credit quality of the various borrowers, risk of loss may increase due to factors beyond the Company's control, such as local, regional and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the real estate portfolio. A substantial portion of the Bank's loans are secured by real estate in the Bank's primary market area. In addition, a substantial portion of the OREO is located in those same markets. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio and the recovery of a substantial portion of the carrying amount of OREO are susceptible to changes in real estate conditions in the Bank's primary market area.

Commercial, financial and agricultural loans include both secured and unsecured loans for working capital, expansion, crop production, commercial insurance premium finance, and other business purposes. Commercial, financial and agricultural loans also include SBA loans and municipal loans. Short-term working capital loans are secured by non-real estate collateral such as accounts receivable, crops, inventory and equipment. The Bank evaluates the financial strength, cash flow, management, credit history of the borrower and the quality of the collateral securing the loan. The Bank often requires personal guarantees and secondary sources of repayment on commercial, financial and agricultural loans.

Real estate loans include construction and development loans, commercial and farmland loans and residential loans. Construction and development loans include loans for the development of residential neighborhoods, one-to-four family home residential construction loans to builders and consumers, and commercial real estate construction loans, primarily for owner-occupied properties. The Company limits its construction lending risk through adherence to established underwriting procedures. Commercial real estate loans include loans secured by owner-occupied commercial buildings for office, storage, retail and warehouse space as well as farmland. They also include non-owner occupied commercial buildings such as leased retail and office space. Commercial real estate loans may be larger in size and may involve a greater degree of risk than one-to-four family residential mortgage loans. Payments on such loans are often dependent on successful operation or management of the properties. The Company’s residential loans represent permanent mortgage financing and are secured by residential properties located within the Bank's market areas, along with warehouse lines of credit secured by residential mortgages.

Consumer installment loans include home improvement loans, automobile loans, boat and recreational vehicle financing, and secured and unsecured personal loans. Consumer loans carry greater risks than other loans, as the collateral can consist of rapidly depreciating assets such as automobiles and equipment that may not provide an adequate source of repayment of the loan in the case of default.

Loans are stated at unpaid balances, net of unearned income and deferred loan fees. Balances within the major loans receivable categories are presented in the following table, excluding purchased loans:

(dollars in thousands)	March 31, 2018	December 31, 2017
Commercial, financial and agricultural	$1,387,437	$ 1,362,508
Real estate – construction and development	631,504	624,595
Real estate – commercial and farmland	1,636,654	1,535,439
Real estate – residential	1,080,028	1,009,461
Consumer installment	316,363	324,511
	$5,051,986	$ 4,856,514

Purchased loans are defined as loans that were acquired in bank acquisitions including those that are covered by a loss-sharing agreement with the Federal Deposit Insurance Corporation (the “FDIC”). Purchased loans totaling $818.6 million and $861.6 million at March 31, 2018 and December 31, 2017, respectively, are not included in the above schedule.

Purchased loans are shown below according to major loan type as of the end of the periods shown:

(dollars in thousands)	March 31, 2018	December 31, 2017
Commercial, financial and agricultural	$ 64,612	$ 74,378
Real estate – construction and development	48,940	65,513
Real estate – commercial and farmland	465,870	468,246
Real estate – residential	236,453	250,539